

Message Text

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ORIGIN NEA-16

INFO OCT-01 ISO-00 PM-07 TRSE-00 DODE-00 IGA-02 CIAE-00

INR-11 NSAE-00 RSC-01 SS-20 NSC-07 SP-03 OMB-01 L-03

EB-11 H-03 MC-02 /088 R

DRAFTED BY NEA/IAI:EWBIZIC:SKG

APPROVED BY PM:GSVEST

PM/SAS:JFLADD

PM/SAS:DJJAMES

NEA/IAI:WBSMITHII

TRSY/NSA:NENSEL (INFO)

----- 129708

R 072108Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 172334

E.O. 11652: GDS

TAGS: EAID, MASS, IS

SUBJECT: U.S. ASSISTANCE TO ISRAEL - SHER/VEST CONVERSA-
TION 7/31/74

REF: TEL AVIV 4082 AND SHER/VEST MEMCON 7/9/74

1. ISRAELI EMBASSY ECON MINISTER SHER CALLED ON PM
DIRECTOR VEST TO OBTAIN READING OF DEPARTMENT'S THINKING
ON ISRAEL'S REQUEST OF U.S. FINANCIAL ASSISTANCE FOR
PLANNED MASSIVE MILITARY PROCUREMENT DURING NEXT 5-10
YEARS. VEST EXPLAINED THAT U.S. CONSIDERATIONS OF FINAN-
CIAL ASSISTANCE ARRANGEMENTS FOR ISRAEL WOULD DEPEND,
INTER ALIA, UPON OUTCOME OF COMPLEX EXCHANGES OF INFORMA-
TION BETWEEN THE TWO GOVERNMENTS ON ISRAEL'S ARMS
REQUESTS. VEST POINTED OUT THAT U.S. IS JUST BEGINNING
TO OBTAIN NECESSARY INFORMATION ON ISRAEL'S NEEDS AND
NOTED IN THIS REGARD RECENT ARRIVAL OF GOI DEFENSE MINISTRY
DELEGATION FOR DISCUSSIONS WITH DOD AS WELL AS TALKS THEN
IN PROGRESS BETWEEN THE SECRETARY AND ALLON.

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2. SHER NEXT RAISED MATTER OF GOI NEED FOR FACILITY TO ORDER LONG LEAD-TIME MILITARY EQUIPMENT WITHOUT REGARD TO FUNDING. HE POINTED OUT THAT ISRAEL WILL BE CONSTRAINED TO MAKE LARGE MILITARY PROCUREMENT OUTLAYS REGARDLESS OF AVAILABLE APPROPRIATIONS. SHER SAID HE UNDERSTOOD THAT EXISTING AUTHORITY HAS PERMITTED ISRAEL TO PURCHASE UP TO SEVERAL HUNDRED MILLION DOLLARS IN MILITARY EQUIPMENT ON

120-DAY NOTE UNDER FMS CASH PROCEDURES. HOWEVER, SHER FELT THESE FMS CASH PROCEDURES WERE NOT VIABLE TO FINANCE ISRAEL'S MASSIVE MILITARY EQUIPMENT REQUIREMENTS. SHER AGAIN SUGGESTED THAT CONGRESS SHOULD ENACT A LARGE, MULTIYEAR AUTHORIZATION REQUIRING ANNUAL APPROPRIATIONS TO FINANCE ISRAEL'S NEEDS. SHER ALSO SAID THAT IN VIEW OF ENORMITY OF ISRAEL'S DEFENSE BURDEN, ALTERNATIVE MEANS FOR FINANCING GOI MILITARY PURCHASES SHOULD BE SOUGHT. HE SUGGESTED SOME KIND OF ARRANGEMENT, E.G., LEND LEASE, MIGHT BE DEVELOPED TO EASE ISRAEL'S FINANCIAL BURDEN IN THIS REGARD.

3. SHER STATED THAT IF FY-75 FOREIGN ASSISTANCE BILL IS PASSED BY CONGRESS IN DUE COURSE AS HE EXPECTED, ISRAEL WOULD NOT RAISE MATTER OF ADDITIONAL ASSISTANCE REQUIREMENTS UNTIL AFTER FY-75 BILL SIGNED INTO LAW. HOWEVER, ISRAEL MIGHT RAISE THIS ISSUE EARLIER IF PASSAGE IS DELAYED AND CONGRESS RESORTS TO CONTINUING RESOLUTION. (NOTE: ISRAEL'S CONSIDERATIONS ON FY-75 ASSISTANCE POSSIBLY TEMPERED BY PASSAGE OF AMENDMENTS DURING MARK-UP OF DRAFT FOREIGN ASSISTANCE LEGISLATION IN HOUSE FOREIGN AFFAIRS COMMITTEE AUGUST 1 TO PROVIDE ISRAEL WITH DOLLARS 250 MILLION IN SUPPORTING ASSISTANCE GRANTS, DOLLARS 100 MILLION IN MILITARY ASSISTANCE GRANTS AND DOLLARS 200 MILLION IN FMS CREDITS FOR FY 75.)

4. FINALLY, SHER EXPLAINED THAT ISRAEL DESIRED USG ASSISTANCE TO ENGAGE IN "WAREHOUSING" OPERATION TO TAKE OFF THE MONEY MARKET REMAINING DOLLARS 70 MILLION OF DOLLARS 300 MILLION IN USG-GUARANTEED GOI PROMISSORY NOTES.

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